

# EXHIBIT 2

***Carlson Companies, Inc.  
and Subsidiaries***

*Recommendations on Internal Control and  
Certain Other Accounting, Administrative, or  
Operating Matters for the Year Ended  
December 31, 2006*

## APPENDIX A

### MATERIAL WEAKNESS

**Carlson Companies, Inc. and Subsidiaries**  
**Year Ended December 31, 2006**

#### **Business Process Outsourcing**

***Observation (Company-Wide)*** — As previously communicated to management, largely as a result of Carlson's business process outsourcing to IBM, we found there to be a lack of appropriate skill set and knowledge of the business by those charged with the financial close process. Due to the extensive breadth of the financial statement accounts that could be materially negatively impacted by this deficiency, we believe this deficiency constitutes a material weakness. The material weakness is evidenced or characterized by the following:

- The account reconciliation process is not operating effectively. There are significant delays in completion of account reconciliations, a lack of quality reconciliations, and the lack of knowledge of the underlying business to adequately challenge reconciliations in an effort to resolve issues noted in a timely fashion.
- Individuals charged with the financial close process are often unable to effectively respond to financial statement variance questions.
- Material misstatements were also noted in conjunction with the completion of the audit and such adjustments were not initially identified by the Company's current internal control processes.

***Recommendation*** — We recommend the Company work with IBM to further refine and clarify the roles and responsibilities of the key players and processes within the financial close and reporting process. Additional and enhanced interim checkpoints and reporting protocols should be developed to ensure the Company is on track to deliver sound financial reporting on at least a quarterly and annual basis. Management should determine the appropriate mix of Carlson and IBM employees within the financial close and reporting process through consideration of specific and pervasive risks within this process, the complexity and nature of accounting transactions, and the skill level of required personnel.

As management is evaluating its course of action in response to internal control concerns over its outsourced processes, an enhanced monitoring framework should be established at the Company to ensure the quality control processes in place at the outsourced service provider are maintained at a level that is acceptable to the Company.

***Management Response*** — Management agrees with the comment and recommendation.

We have evaluated our relationship with IBM and have decided to in-source certain elements of the Account to Report function. This general ledger accounting function contains areas of substantial judgment and business knowledge. It essentially encompasses the controllership function for each business unit. The in-sourcing includes the financial close process, preparation of financial statements, and the transfer of the majority of account reconciliations to Carlson.

The hiring process has already begun and we are targeting to staff the organization with at least one-third Carlson employees or previous Carlson employees to begin with a strong foundational knowledge of each business. The leadership team is already in place and almost all positions are staffed with current or former Carlson employees with strong knowledge of the business unit they will be supporting.

The new accounting organization will be centralized in Minneapolis to ensure strong controls and process standardization, but will report dotted line to the business unit chief financial officers to improve knowledge of the business. In addition, we will locate an Account to Report liaison role in each significant U.S. remote location (i.e., Carlson Restaurants Worldwide and Carlson Cruises Worldwide) to bridge any business knowledge gaps created by the geographic separation.

The transition is planned to occur over three waves during June, July, and August. Carlson will assume responsibility for these processes in September and certain IBM personnel currently performing and managing these processes will remain on the Carlson account through October.

While the transition back to Carlson is being executed, we have increased our involvement in and oversight of the account reconciliation process. Each month Carlson is reviewing a statistically representative sample of reconciliations and conducting a quality audit of five key criteria. Reconciliations that do not meet our contractual quality criteria will be returned to IBM for rework or will be performed by Carlson. Both Carlson and IBM have added incremental staff to ensure adequate focus on account reconciliations during the transition period.